

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 EB-07

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CIEP-01 STR-04 OMB-01 CEA-01 PA-01 PRS-01 CIAE-00

FRB-03 INR-07 NSAE-00 USIA-06 OPIC-03 LAB-04 SIL-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 2476

C O N F I D E N T I A L BUENOS AIRES 5812

DEPT PASS NASSAU FOR ASST SECY ROGERS

PASS TREASURY, COMMERCE, EXIMBANK

E.O. 11652: GDS

TAGS: EGEN, EFIN, ETRA, AR

SUBJECT: AMBASSADOR'S MEETING WITH ECONOMY MINISTER CAFIERO

1. SUMMARY: AUGUST 28 I VISITED ECONOMY MINISTER CAFIERO ACCOMPANIED BY MEMBERS OF EMBASSY STAFF (DCM, ECONOMIC COUNSELOR, DEPUTY SECTION CHIEF AND COMMERCIAL ATTACHE). I OFFERED EMBASSY ASSISTANCE WITH ARRANGEMENTS FOR MINISTER'S FORTHCOMING TRIP TO WASHINGTON. MINISTER EXPRESSED APPRECIATION, SAYING BANK/FUND MEETING EXTREMELY SIGNIFICANT FOR ARGENTINA AT THIS TIME. HE STRESSED IMPORTANCE HE ATTACHED TO HIS MEETING WITH SECRETARY TREASURY SIMON AND OTHER KEY USG FIGURES. HE HOPED TREASURY WOULD SUPPORT ARGENTINE EFFORTS OVERCOME CURRENT FINANCIAL CRISIS. END SUMMARY.

2. I EXPRESSED THANKS TO MINISTER CAFIERO FOR MEETING AND OPPORTUNITY TO INTRODUCE TO HIM MEMBERS EMBASSY STAFF. CONFIDENTIAL

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I SAID U.S. EMBASSY WISHED PROVIDE ANY APPROPRIATE

ASSISTANCE IN CONNECTION MINISTER'S FORTHCOMING TRIP TO WASHINGTON.

3. MINISTER CAFIERO REPLIED HE PLANNING TRAVEL DIRECTLY TO WASHINGTON SATURDAY, AUGUST 30, AND WOULD STAY AT ARGENTINE EMBASSY RESIDENCE. WIVES WOULD NOT TRAVEL WITH DELEGATION. HE EMPHASIZED IMPORTANCE HE ATTACHED TO TALKS WITH TREASURY SECRETARY SIMON, AND OTHER USG OFFICIALS, INCLUDING EXIM BANK PRESIDENT CASEY. HE SPECULATED WHETHER IT WOULD BE POSSIBLE TO MEET WITH DR. KISSINGER. I EXPLAINED THIS WOULD PROBABLY BE DIFFICULT AS DR. KISSINGER CURRENTLY IN MIDDLE EAST. DR. CAFIERO CONTINUED HE PLANNED TAKE ADVANTAGE BANK/FUND REUNION MEET WITH MAJOR U.S. BANKS WHILE IN WASHINGTON. HE SAID HE EXPECTED GOA DELEGATION WOULD INCLUDE REPRESENTATIVES OF CGE AND CGT, INCLUDING CASILDO HERRERAS, WHICH HE HOPED WOULD DEMONSTRATE WIDE BASE SUPPORT OF MISSION HE HEADED.

4. TAKING ADVANTAGE OUR PRESENCE, DR. CAFIERO THEN RAISED FINANCIAL PROBLEMS, ASKING HIS CHIEF AIDE, DR. GUIDO DI TELLA, SECRETARY OF STATE FOR PROGRAMMING AND ECONOMIC COORDINATION, TO OUTLINE SITUATION AND ARGENTINE THINKING. DI TELLA SAID GOA SEEKING APPROXIMATELY \$500 MILLION NEW CREDITS OVER NEXT THREE MONTHS TO FINANCE DEBT MATURITIES - APPROXIMATELY \$170 MILLION EACH MONTH. AFTER THAT TIME, DR. DI TELLA STRESSED GOA DRIVE EXPAND EXPORTS, BASED ON MAINTENANCE MORE REALISTIC AND FLEXIBLE EXCHANGE RATE, WOULD BEGIN IMPROVE BALANCE OF PAYMENTS SITUATION.

5. I RESPONDED FRANKLY GOA SHOULD BE PREPARED FOR RESERVED INITIAL RECEPTION IN WASHINGTON. COMBINATION TERRORISM, POLITICAL INSTABILITY, AND ECONOMIC PROBLEMS HAD CONTRIBUTED FORMATION RATHER NEGATIVE VIEW OF ARGENTINA IN MY COUNTRY. HOWEVER, I FELT CERTAIN WASHINGTON WOULD BENEFIT FROM HEARING DR. CAFIERO'S EXPLANATION.

6. DI TELLA SAID ATTITUDE INTERNATIONAL FINANCIAL ENTITIES MORE POSITIVE SINCE MINISTER CAFIERO TOOK OFFICE. HE EXPECTED GOA WOULD ANNOUNCE AUGUST 29 NEW \$110 MILLION CREDIT FROM MAJOR U.S. BANK. ANOTHER LOAN OF \$110 MILLION, HE
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SAID, WOULD BE FORTHCOMING SOON FROM OTHER FOREIGN BANKS. DI TELLA MENTIONED AS OTHER POSSIBLE SOURCES FINANCE: \$100 MILLION BANK CONSORTIUM LOAN HEADED BY CHASE MANHATTAN; FIRST NATIONAL CITY BANK OPERATION; CHEMICAL BANK EXPORTS PRE-FINANCE; AND COMMERCIAL CREDIT FROM JAPAN. HE CONTINUED GOA RECENTLY CALLED MEETING MAJOR FOREIGN COMPANIES IN ARGENTINA OFFERING THEM SPECIAL OPPORTUNITY BRING IN ADDITIONAL "SWAPS" ON FAVORABLE BASIS. HE HOPED COMPANIES

WOULD RESPOND FAVORABLY. (SEPTTEL ON THIS OPERATION FOLLOWS).

7. MINISTER CAFIERO ASKED ME ABOUT SECRETARY VIGNES' CONVERSATION WITH SECRETARY KISSINGER RE GOA FINANCIAL TRANSACTIONS WITH PRIVATE BANKS. I GAVE ACCOUNT OF CONVERSATION FOR MINISTER, POINTING OUT ARGENTINE FOREIGN MINISTRY RECENTLY RECEIVED CABLE FROM AMBASSADOR VASQUEZ EXPRESSING APPRECIATION FOR OUR HELP.

8. SINCE CAFIERO RAISED FINANCIAL ISSUE, I BROUGHT UP PROBLEMS U.S. INVESTMENTS IN ARGENTINA. I EXPLAINED SERIOUS PROBLEMS WHICH U.S. COMPANIES FACE AND OUR CONCERN. I CITED CASE OF AUTOMOBILE COMPANY REPRESENTATIVE WHO RECENTLY TOLD ME LOCAL SUBSIDIARY WOULD PROBABLY HAVE TO CLOSE TEMPORARILY IN NEAR FUTURE UNLESS SITUATION IMPROVED. OTHER COMPANIES, I SAID, EXTREMELY WORRIED ABOUT THEIR FUTURE HERE. MINISTER CAFIERO GAVE ME NO DIRECT RESPONSE ON THESE PROBLEMS.

9. ANSWERING QUESTION RE ARGENTINA'S ATTITUDE TOWARD IMF, CAFIERO DREW DISTINCTION BETWEEN TECHNICAL AND POLITICAL ASPECTS OF PROBLEM. HE EMPHASIZED HE HAD NO TECHNICAL DIFFICULTIES SEEKING IMF ASSISTANCE AND CERTAINLY DID NOT DISCARD POSSIBILITY. HOWEVER, AS ECONOMY MINISTER IN POLITICAL MOVEMENT WHICH FAVORED AUTONOMY AND INDEPENDENCE, HE HOPED WE UNDERSTOOD POLITICAL PROBLEM HE FACED. HE EXPRESSED VIEW FUND NEGOTIATIONS EASIER POLITICALLY IN SIX MONTHS OR SO WHEN HE AND PRESENT CABINET HAD BEEN LONGER IN OFFICE.

10. CAFIERO SAID GOA NOW STRONGER AND MORE POLITICALLY UNIFIED THAN IN RECENT PAST. WE HAVE HEARD THIS BEFORE. HE SAID CGT BEHIND MRS. PERON AND ARMED FORCES NOW UNITED TO
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SUPPORT INSTITUTIONAL GOVERNMENT. HE EMPHASIZED IMPORTANCE OF CONTINUING U.S. POLITICAL SUPPORT FOR ARGENTINA. HE ALSO REQUESTED SUPPORT FROM TREASURY DEPARTMENT IN FINANCIAL AREA. (HE DID NOT ELABORATE AND WE DID NOT PROVIDE ANY ENCOURAGEMENT.) HE REMINDED US GOA HAD PROVIDED BALANCE OF PAYMENTS SUPPORT TO USG (\$70 MILLION) ON PREVIOUS OCCASION AND HOPED TREASURY WOULD RECIPROCATE.

11. COMMENT: ONCE AGAIN DR. CAFIERO IMPRESSES US AS COMPETENT, ASTUTE POLITICIAN AND RISING FIGURE WITHIN PERONISM. WE BELIEVE HE WILL SEEK GOOD ECONOMIC RELATIONS WITH U.S., ESPECIALLY CONSIDERING THE DIFFICULTIES CURRENTLY FACED BY ARGENTINA.
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